

DURANT COMMUNITY SCHOOL DISTRICT  
INDEPENDENT AUDITOR'S REPORTS,  
BASIC FINANCIAL STATEMENTS,  
SUPPLEMENTARY INFORMATION  
AND SCHEDULE OF FINDINGS  
JUNE 30, 2010

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# DURANT COMMUNITY SCHOOL DISTRICT

## Officials

June 30, 2010

Name	Title	Term Expires
<b>Board of Education</b>		
(Before September 2009 Election)		
Dick Stoltenberg	Board President	2011
Brian Fargo	Board Member	2009
Cheryl Telsrow	Board Member	2009
Steve Ralfs	Board Member	2011
Sheila Compton	Board Member	2011
(After September 2009 Election)		
Dick Stoltenberg	Board President	2011
Steve Ralfs	Board Member	2011
Sheila Compton	Board Member	2011
Brian Fargo	Board Member	2012
Joel Meincke	Board Member	2012
<b>School Officials</b>		
Duane Bark	Superintendent	2010
Lesla Kephart	District Secretary	Indefinite
Philip Keese	District Treasurer	Indefinite
Lane & Waterman	Attorney	Indefinite

# KAY L. CHAPMAN, CPA PC

119 West Mississippi Drive, Suite3  
Muscatine, Iowa 52761  
563-264-1385

## Independent Auditor's Report

To the Board of Education  
Durant Community School District

I have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of Durant Community School District, Durant, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Durant Community School District as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated February 10, 2011 on my consideration of Durant Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 45 through 47 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Durant Community School District's basic financial statements. Other supplementary information included in Schedules 1 through 3, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. In my opinion, the information set forth in the supplementary information for each of the seven years in the period ended June 30, 2010, appearing in Schedule 4, is fairly stated, in all material respects in relation to the basic financial statements from which it has been derived.

*Kay L. Chapman, CPA PC*

Kay L. Chapman, CPA PC  
February 10, 2011

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Durant Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2010 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$6,127,923 in fiscal 2009 to \$5,664,873 in fiscal 2010, while General Fund expenditures increased from \$5,837,865 in fiscal 2009 to \$5,976,167 in fiscal 2010. The District's General Fund balance decreased from \$1,621,172 in fiscal 2009 to \$1,332,393 in fiscal 2010, an 18% decrease.
- The District had a decrease in prior year enrollment which negatively impacted the funding received from the State for the General Fund.
- The District received a 0% premium increase for health insurance for the year.
- This was the fifth year of Whole Grade Sharing with the Bennett Community School District in grades 7-12. The sharing agreement resulted in an increase in both revenues and expenditures in the General Fund.
- The District adopted a sharing agreement with Bennett Community School District for SAVE dollars that were available for capital improvements.
- Several major projects were completed during the year including security measures (door lock replacement), door replacements, floor tile replacement, sidewalk and step replacement and gutter repairs.
- The District received ARRA, American Recovery and Reinvestment Act, dollars from the State of Iowa for Title I, Stabilization, Core Curriculum, Instructional Support Aid and IDEA Part B. These funds replaced a portion of state aid that was cut during the year.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Durant Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Durant Community School District's operations in more

detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Durant Community School District acts solely as an agent or custodian for the benefit of those outside of District government.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor Governmental Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**  
***Durant Community School District Annual Financial Report***

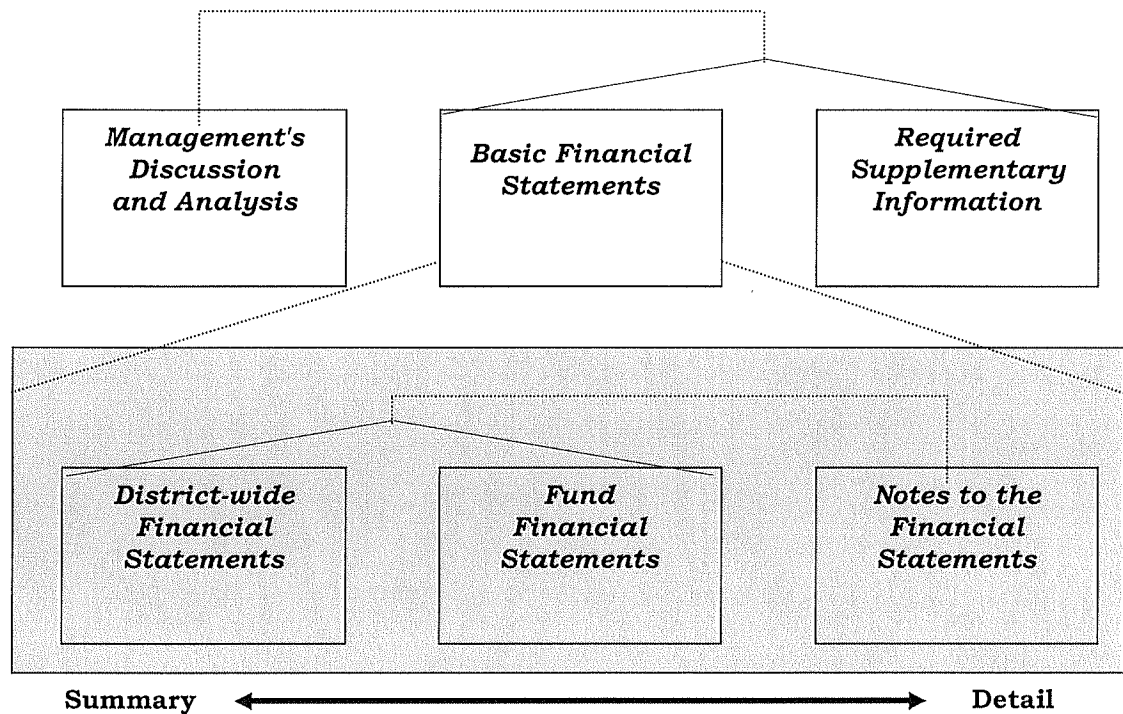




Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2</b> <b>Major Features of the Government-wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

#### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise fund, one type of proprietary fund, are the same as its business type activity, but provides more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

- 3) *Fiduciary fund*: The District is the trustee, or fiduciary, for assets that belong to others. This fund consists of a Private-Purpose Trust Fund.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary fund are used only for their intended purposes and by those to whom the assets belong. The District excludes this activity from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary fund includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2010 compared to June 30, 2009.

Figure A-3

	Condensed Statement of Net Assets						
	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2008-2009</u>
Current and other assets	\$ 4,995,228	\$ 4,934,950	\$ 80,647	\$ 63,629	\$ 5,075,875	\$ 4,998,579	1.55%
Capital assets	<u>5,246,497</u>	<u>5,376,391</u>	<u>10,343</u>	<u>12,994</u>	<u>5,256,840</u>	<u>5,389,385</u>	-2.46%
Total assets	<u>10,241,725</u>	<u>10,311,341</u>	<u>90,990</u>	<u>76,623</u>	<u>10,332,715</u>	<u>10,387,964</u>	-0.53%
Long-term liabilities	2,110,228	2,358,254	-	-	2,110,228	2,358,254	-10.52%
Other liabilities	<u>2,119,546</u>	<u>2,241,825</u>	<u>39</u>	<u>340</u>	<u>2,119,585</u>	<u>2,242,165</u>	-5.47%
Total liabilities	<u>4,229,774</u>	<u>4,600,079</u>	<u>39</u>	<u>340</u>	<u>4,229,813</u>	<u>4,600,419</u>	-8.06%
Net assets							
Invested in capital assets,							
net of related debt	3,185,497	3,112,239	10,343	12,994	3,195,840	3,125,233	2.26%
Restricted	1,204,192	808,031	-	-	1,204,192	808,031	49.03%
Unrestricted	<u>1,622,262</u>	<u>1,790,992</u>	<u>80,608</u>	<u>63,289</u>	<u>1,702,870</u>	<u>1,854,281</u>	-8.17%
Total net assets	<u>\$ 6,011,951</u>	<u>\$ 5,711,262</u>	<u>\$ 90,951</u>	<u>\$ 76,283</u>	<u>\$ 6,102,902</u>	<u>\$ 5,787,545</u>	5.45%

The District's combined net assets increased by approximately 5%, or \$315,357, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$396,161, or approximately 49% over the prior year. The increase was largely due to reduced spending in the Capital Project Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$151,411, or approximately 8%. The decrease is largely due to the reduction in State Aid and an increase in salary and benefit package.

Figure A-4 shows the changes in net assets for the year ended June 30, 2010 compared to the year ended June 30, 2009.

Figure A-4

	Change in Net Assets						
	Governmental Activities		Business Type Activities		Total District		Total Change
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2009-2010</u>
Revenues							
Program revenues							
Charges for service	\$ 1,339,386	\$ 1,386,755	\$ 235,154	\$ 233,090	\$ 1,574,540	\$ 1,619,845	-2.80%
Operating grants	1,190,494	940,778	117,612	103,204	1,308,106	1,043,982	25.30%
General revenues							
Property tax	2,508,358	2,291,618	-	-	2,508,358	2,291,618	9.46%
Statewide sales, services and use tax	358,011	386,586	-	-	358,011	386,586	-7.39%
Unrestricted state grants	1,617,757	2,296,625	-	-	1,617,757	2,296,625	-29.56%
Contributions and donations	20,683	76,644	-	-	20,683	76,644	-73.01%
Unrestricted investment earnings	28,550	39,892	326	459	28,876	40,351	-28.44%
Other	<u>979</u>	<u>1,076</u>	<u>-</u>	<u>-</u>	<u>979</u>	<u>1,076</u>	-9.01%
Total revenues	<u>7,064,218</u>	<u>7,419,974</u>	<u>353,092</u>	<u>336,753</u>	<u>7,417,310</u>	<u>7,756,727</u>	-4.38%
Program expenses							
Governmental activities							
Instruction	4,240,263	4,090,906	-	-	4,240,263	4,090,906	3.65%
Support services	1,966,222	2,020,251	-	-	1,966,222	2,020,251	-2.67%
Non-instructional programs	1,868	8,538	338,424	330,940	340,292	339,478	0.24%
Other expenses	<u>555,176</u>	<u>673,093</u>	<u>-</u>	<u>-</u>	<u>555,176</u>	<u>673,093</u>	-17.52%
Total expenses	<u>6,763,529</u>	<u>6,792,788</u>	<u>338,424</u>	<u>330,940</u>	<u>7,101,953</u>	<u>7,123,728</u>	-0.31%
Change in net assets	300,689	627,186	14,668	5,813	315,357	632,999	-50.18%
Net assets, beginning of year	<u>5,711,262</u>	<u>5,084,076</u>	<u>76,283</u>	<u>70,470</u>	<u>5,787,545</u>	<u>5,154,546</u>	12.28%
Net assets, end of year	<u>\$ 6,011,951</u>	<u>\$ 5,711,262</u>	<u>\$ 90,951</u>	<u>\$ 76,283</u>	<u>\$ 6,102,902</u>	<u>\$ 5,787,545</u>	5.45%

In fiscal 2010, property tax and unrestricted state grants account for 58% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99% of the revenue from business type activities.

The District's total revenues were \$7,417,310 of which \$7,064,218 was for governmental activities and \$353,092 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 4% decrease in revenues and a .3% decrease in expenses. Property taxes increased \$216,740 and operating grants increased \$264,124 to fund increases in expenditures. The decrease in revenue was due to reduction in state aid as well as reduced receipts from State SAVE dollars for capital improvements.

### Governmental Activities

Revenues for governmental activities were \$7,064,218 and expenses were \$6,763,529 for the year ended June 30, 2010. The District reduced spending in the Capital Project fund and increased grant writing and awards are reflected as savings to the District.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2010 compared to the year ended June 30, 2009.

Figure A-5

	Total and Net Cost of Governmental Activities					
	Total Cost of Services			Net Cost of Services		
	2010	2009	Change 2009-2010	2010	2009	Change 2009-2010
Instruction	\$ 4,240,263	\$ 4,090,906	3.7%	\$ 2,110,734	\$ 2,007,099	5.2%
Support services	1,966,222	2,020,251	-2.7%	1,887,434	1,996,934	-5.5%
Non-instructional programs	1,868	8,538	-78.1%	(95,682)	(2,262)	4130.0%
Other expenses	555,176	673,093	-17.5%	331,163	463,484	-28.5%
Total expenses	<u>\$ 6,763,529</u>	<u>\$ 6,792,788</u>	-0.4%	<u>\$ 4,233,649</u>	<u>\$ 4,465,255</u>	-5.2%

For the year ended June 30, 2010:

- The cost financed by users of the District's programs was \$1,339,386.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,190,494.
- The net cost of governmental activities was financed with \$2,866,369 in property and other taxes and \$1,617,757 in unrestricted state grants.

### Business Type Activities

Revenues for business type activities during the year ended June 30, 2010 were \$353,092 representing a 5% increase over the prior year and expenses were \$338,424, a 2% increase over the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

The district increase what they charged for meals. Salaries and benefits account for 46% of the expenditures and the remaining 54% was spent on food supplies and other miscellaneous expenditures.

## **INDIVIDUAL FUND ANALYSIS**

As previously noted, Durant Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$2,253,345, slightly above last year's ending fund balances of \$2,192,721. The increase was primarily due to decreased expenditures in Special Revenue Funds.

### **Governmental Fund Highlights**

The District's deteriorating General Fund balance is the result of many factors. The General Fund balance decreased from \$1,621,172 to \$1,332,393, due primarily to the reduction in State Aid and increased salary and benefit package which included an increase in the employers contribution to IPERS.

### **Proprietary Fund Highlights**

Enterprise Fund net assets increased from \$76,283 at June 30, 2009 to \$90,951 at June 30, 2010, representing an increase of approximately 19%. The increase was due to increased meal prices charged to students and staff.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, Durant Community School District amended its annual budget one time by \$20,000 to include Post Secondary Enrollment Courses, computers and classroom supply purchases.

The District's revenues were \$804,118 less than budgeted revenues, a variance of approximately 10%. This was the result of State Aid reduction as well as reduced SAVE dollars received.

The total expenditures were \$437,537 less than the amended budget. The district cut back in the area of Operation & Maintenance of Plant Services and Student Transportation.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2010, the District had invested \$5,256,840, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 2% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$267,297.

The original cost of the District's capital assets was \$10,137,904. Governmental funds account for \$10,100,485, with the remainder of \$37,419 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the improvements, other than buildings category, which decreased from \$407,350 at June 30, 2009 to \$382,446 at June 30, 2010 due to depreciation.

Figure A-6

	Capital Assets, Net of Depreciation						
	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2009-2010</u>
Land	\$ 135,364	\$ 135,364	\$ -	\$ -	\$ 135,364	\$ 135,364	0.00%
Buildings and improvements	4,257,235	4,384,883	-	-	4,257,235	4,384,883	-2.91%
Improvements, other than buildings	382,446	407,350	-	-	382,446	407,350	-6.11%
Furniture and equipment	<u>471,452</u>	<u>448,794</u>	<u>10,343</u>	<u>12,994</u>	<u>481,795</u>	<u>461,788</u>	4.33%
Totals	<u>\$5,246,497</u>	<u>\$5,376,391</u>	<u>\$10,343</u>	<u>\$12,994</u>	<u>\$5,256,840</u>	<u>\$5,389,385</u>	-2.46%

## Long-Term Debt

At June 30, 2010, the District had \$2,110,228 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 11% from the prior year. (See Figure A-7). The decrease was due largely to the reduction of debt for the 2000 Building Addition Project, as well as the reduced early retirement benefit obligation. Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

The District does not currently have a bond rating. The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$9.3 million.

Figure A-7

	Outstanding Long-term Obligations		
	Total		Total
	District		Change
	<u>2010</u>	<u>2009</u>	<u>2009-2010</u>
General obligation bonds	\$ 2,025,000	\$ 2,190,000	-7.53%
Bank loans	36,000	74,152	-51.45%
Early retirement	7,151	94,102	-92.40%
Net OPEB liability	<u>42,077</u>	<u>-</u>	100.00%
Total	<u>\$ 2,110,228</u>	<u>\$ 2,358,254</u>	-10.52%

## **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District experienced an increase in certified enrollment during the 2009-2010 school year which will result in increased funds available in the 2010-2011 school year.
- The District will continue whole grade sharing with the Bennett Community School District for grades 7-12 in the 2011 fiscal year.
- The district will be receiving ARRA, American Recovery and Reinvestment Act, dollars from the State of Iowa to help offset the reduction in state aid.
- IPERS contribution rates for employers will be increased to 8.07% of employee wages. This is an increase from 6.95% in FY10.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Lesa Kephart, District Secretary and Business Manager, Durant Community School District, 408 7th Street, P.O. Box 607, Durant, Iowa 52747.



## Basic Financial Statements

DURANT COMMUNITY SCHOOL DISTRICT  
Statement of Net Assets  
June 30, 2010

Exhibit A

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$2,364,104	\$ 67,118	\$2,431,222
Receivables			
Property tax			
Delinquent	20,595	-	20,595
Succeeding year	2,112,546	-	2,112,546
Accounts receivable	15,819	-	15,819
Income surtax	236,822	-	236,822
Due from other governments	245,342	-	245,342
Inventories	-	13,529	13,529
Non-depreciable capital assets	135,364	-	135,364
Capital assets, net of accumulated depreciation	<u>5,111,133</u>	<u>10,343</u>	<u>5,121,476</u>
Total assets	<u>10,241,725</u>	<u>90,990</u>	<u>10,332,715</u>
<b>Liabilities</b>			
Accounts payable	186,837	30	186,867
Salaries and benefits payable	12,568	9	12,577
Accrued interest payable	13,845	-	13,845
Deferred revenue			
Succeeding year property tax	2,112,546	-	2,112,546
Long-term liabilities			
Portion due within one year			
General obligation bonds payable	170,000	-	170,000
Notes payable	24,393	-	24,393
Termination benefits payable	7,151	-	7,151
Portion due after one year			
General obligation bonds payable	1,855,000	-	1,855,000
Unamortized bond discount	(206,250)	-	(206,250)
Notes payable	11,607	-	11,607
Net OPEB liability	<u>42,077</u>	<u>-</u>	<u>42,077</u>
Total liabilities	<u>4,229,774</u>	<u>39</u>	<u>4,229,813</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	3,185,497	10,343	3,195,840
Restricted for			
Categorical funding	97,986	-	97,986
Management levy	90,446	-	90,446
Physical plant and equipment levy	238,731	-	238,731
Debt service	257,083	-	257,083
Other special revenue purposes	68,079	-	68,079
Capital projects	451,867	-	451,867
Unrestricted	<u>1,622,262</u>	<u>80,608</u>	<u>1,702,870</u>
Total net assets	<u>\$6,011,951</u>	<u>\$ 90,951</u>	<u>\$6,102,902</u>

See notes to financial statements.

DURANT COMMUNITY SCHOOL DISTRICT  
Statement of Activities  
For the Year Ended June 30, 2010

Exhibit B

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
<b><u>Functions/Programs</u></b>							
Governmental activities							
Instruction							
Regular instruction	\$ 3,008,108	\$ 1,052,568	\$ 707,627	\$ -	\$ (1,247,913)	\$ -	\$ (1,247,913)
Special instruction	291,238	105,111	174,096	-	(12,031)	-	(12,031)
Other instruction	940,917	82,663	7,464	-	(850,790)	-	(850,790)
	<u>4,240,263</u>	<u>1,240,342</u>	<u>889,187</u>	<u>-</u>	<u>(2,110,734)</u>	<u>-</u>	<u>(2,110,734)</u>
Support services							
Student	166,788	-	4,414	-	(162,374)	-	(162,374)
Instructional staff	239,713	-	-	-	(239,713)	-	(239,713)
Administration	689,308	-	-	-	(689,308)	-	(689,308)
Operation and maintenance of plant	613,589	74,168	-	-	(539,421)	-	(539,421)
Transportation	256,824	3	203	-	(256,618)	-	(256,618)
	<u>1,966,222</u>	<u>74,171</u>	<u>4,617</u>	<u>-</u>	<u>(1,887,434)</u>	<u>-</u>	<u>(1,887,434)</u>
	<u>1,868</u>	<u>24,873</u>	<u>72,677</u>	<u>-</u>	<u>95,682</u>	<u>-</u>	<u>95,682</u>
Non-instructional programs							
Other expenses							
Facilities acquisition	29,412	-	-	-	(29,412)	-	(29,412)
Long-term debt interest	107,883	-	-	-	(107,883)	-	(107,883)
AEA flowthrough	224,013	-	224,013	-	-	-	-
Depreciation (unallocated) *	193,868	-	-	-	(193,868)	-	(193,868)
	<u>555,176</u>	<u>-</u>	<u>224,013</u>	<u>-</u>	<u>(331,163)</u>	<u>-</u>	<u>(331,163)</u>
Total governmental activities	<u>6,763,529</u>	<u>1,339,386</u>	<u>1,190,494</u>	<u>-</u>	<u>(4,233,649)</u>	<u>-</u>	<u>(4,233,649)</u>

See notes to financial statements.

DURANT COMMUNITY SCHOOL DISTRICT  
Statement of Activities  
For the Year Ended June 30, 2010

Exhibit B

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
<b><u>Functions/Programs (continued)</u></b>					
Business type activities					
Non-instructional programs					
Food service operations	\$ 338,424	\$ 235,154	\$ 117,612	\$ -	\$ 14,342
Total	<u>\$ 7,101,953</u>	<u>\$ 1,574,540</u>	<u>\$ 1,308,106</u>	<u>\$ -</u>	<u>\$ 14,342</u>
					<u>(4,219,307)</u>
<b><u>General Revenues</u></b>					
Property tax levied for					
General purposes					2,173,361
Debt service					125,000
Capital outlay					209,997
Statewide sales, services and use tax					358,011
Unrestricted state grants					1,617,757
Contributions and donations					20,683
Unrestricted investment earnings					28,876
Other					979
Total general revenues					<u>4,534,664</u>
Change in net assets					14,668
Net assets, beginning of year					5,787,545
Net assets, end of year					<u>\$ 6,102,902</u>

\* This amount excludes the depreciation included in the direct expenses of the various programs.

See notes to financial statements.

DURANT COMMUNITY SCHOOL DISTRICT  
Balance Sheet  
Governmental Funds  
June 30, 2010

Exhibit C

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	<u>Total</u>
<b>Assets</b>			
Cash and pooled investments	\$1,457,285	\$ 906,819	\$2,364,104
Receivables			
Property tax			
Delinquent	16,803	3,792	20,595
Succeeding year	1,773,092	339,454	2,112,546
Accounts receivable	14,380	1,439	15,819
Income surtax	131,568	105,254	236,822
Due from other governments	104,311	141,031	245,342
Total assets	<u>\$3,497,439</u>	<u>\$ 1,497,789</u>	<u>\$4,995,228</u>
<b>Liabilities and Fund Balances</b>			
Liabilities			
Accounts payable	\$ 54,708	\$ 132,129	\$ 186,837
Salaries and benefits payable	12,568	-	12,568
Deferred revenue			
Succeeding year property tax	1,773,092	339,454	2,112,546
Income surtax	131,568	105,254	236,822
Other	193,110	-	193,110
Total liabilities	<u>2,165,046</u>	<u>576,837</u>	<u>2,741,883</u>
Fund balances			
Reserved for			
Debt service	-	64,678	64,678
Categorical funding	97,986	-	97,986
Unreserved, governmental funds	1,234,407	451,867	1,686,274
Unreserved, special revenue funds	-	404,407	404,407
Total fund balances	<u>1,332,393</u>	<u>920,952</u>	<u>2,253,345</u>
Total liabilities and fund balances	<u>\$3,497,439</u>	<u>\$ 1,497,789</u>	<u>\$4,995,228</u>

See notes to financial statements.

DURANT COMMUNITY SCHOOL DISTRICT  
Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets  
June 30, 2010

Exhibit D

<b>Total fund balances of governmental funds</b>	<b>\$2,253,345</b>
<b>Amounts reported for governmental activities in the Statement of Net Assets are different because:</b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	5,246,497
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	429,932
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(13,845)
Unamortized bond discount on refunding is not available to pay current period expenditures and, therefore, are not reported as assets in the governmental funds.	206,250
Long-term liabilities, including bonds and notes payable, termination benefits and other postemployment benefits payable are not due and in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(2,110,228)</u>
<b>Net assets of governmental activities</b>	<b><u>\$6,011,951</u></b>

See notes to financial statements.

DURANT COMMUNITY SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2010

Exhibit E

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	<u>Total</u>
Revenues			
Local sources			
Local tax	\$1,932,489	\$ 919,793	\$2,852,282
Tuition	956,690	-	956,690
Other	94,826	338,082	432,908
Intermediate sources	15,230	-	15,230
State sources	2,347,931	196	2,348,127
Federal sources	317,707	-	317,707
Total revenues	<u>5,664,873</u>	<u>1,258,071</u>	<u>6,922,944</u>
Expenditures			
Current			
Instruction			
Regular	2,948,923	105,004	3,053,927
Special	287,899	-	287,899
Other	678,157	255,977	934,134
	<u>3,914,979</u>	<u>360,981</u>	<u>4,275,960</u>
Support services			
Student	159,907	-	159,907
Instructional staff	237,304	884	238,188
Administration	678,639	19,347	697,986
Operation and maintenance of plant	570,413	38,767	609,180
Transportation	190,912	92,158	283,070
	<u>1,837,175</u>	<u>151,156</u>	<u>1,988,331</u>
Non-instructional programs	<u>-</u>	<u>1,868</u>	<u>1,868</u>
Other expenditures			
Facilities acquisition	-	80,454	80,454
Long-term debt			
Principal	-	203,151	203,151
Interest and fiscal charges	-	88,543	88,543
AEA flowthrough	224,013	-	224,013
	<u>224,013</u>	<u>372,148</u>	<u>596,161</u>
Total expenditures	<u>5,976,167</u>	<u>886,153</u>	<u>6,862,320</u>

See notes to financial statements.

DURANT COMMUNITY SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2010

Exhibit E

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	<u>Total</u>
Excess (deficiency) of revenues over (under) expenditures	\$ (311,294)	\$ 371,918	\$ 60,624
Other financing sources (uses)			
Interfund operating transfers in	22,515	196,273	218,788
Interfund operating transfers (out)	<u>-</u>	<u>(218,788)</u>	<u>(218,788)</u>
Total other financing sources (uses)	<u>22,515</u>	<u>(22,515)</u>	<u>-</u>
Net change in fund balances	(288,779)	349,403	60,624
Fund balance, beginning of year	<u>1,621,172</u>	<u>571,549</u>	<u>2,192,721</u>
Fund balance, end of year	<u><u>\$1,332,393</u></u>	<u><u>\$ 920,952</u></u>	<u><u>\$2,253,345</u></u>

See notes to financial statements.



DURANT COMMUNITY SCHOOL DISTRICT  
Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds  
to the Statement of Activities  
For the Year Ended June 30, 2010

Exhibit F

**Net change in fund balances - total governmental funds** \$ 60,624

**Amounts reported for governmental activities in the Statement of Activities  
are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures and depreciation expense are as follows:

Expenditures for capital assets	\$134,752	
Depreciation expense	<u>(264,646)</u>	(129,894)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. 141,274

Amortization of the discount on bond refunding did not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. However, the annual amortization is reported as an expenditure in the Statement of Activities. (20,625)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 203,152

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

Termination benefits	86,951	
Other postemployment benefits	<u>(42,077)</u>	44,874

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

	<u>1,284</u>	
<b>Change in net assets of governmental activities</b>		<u><u>\$300,689</u></u>

See notes to financial statements.

DURANT COMMUNITY SCHOOL DISTRICT  
Statement of Net Assets  
Proprietary Fund  
June 30, 2010

Exhibit G

	Nonmajor School <u>Nutrition</u>
<b>Assets</b>	
Cash and cash equivalents	\$67,118
Inventories	13,529
Capital assets, net of accumulated depreciation	<u>10,343</u>
Total assets	<u>90,990</u>
 <b>Liabilities</b>	
Accounts payable	30
Salaries and benefits payable	<u>9</u>
<b>Liabilities</b>	<u>39</u>
 <b>Net Assets</b>	
Invested in capital assets	10,343
Unrestricted	<u>80,608</u>
Total net assets	<u>\$90,951</u>

See notes to financial statements.

DURANT COMMUNITY SCHOOL DISTRICT  
Statement of Revenues, Expenses and Changes in Net Assets  
Proprietary Fund  
For the Year Ended June 30, 2010

Exhibit H

	Nonmajor School <u>Nutrition</u>
Operating revenue	
Local sources	
Charges for service	<u>\$235,154</u>
Operating expenses	
Non-instructional programs	
Food service operations	
Salaries and benefits	121,554
Benefits	36,218
Purchased services	4,479
Supplies	172,651
Miscellaneous	871
Depreciation	<u>2,651</u>
Total operating expenses	<u>338,424</u>
Operating loss	<u>(103,270)</u>
Non-operating revenues	
Interest income	326
State sources	3,091
Federal sources	<u>114,521</u>
Total non-operating revenues	<u>117,938</u>
Net income	14,668
Net assets, beginning of year	<u>76,283</u>
Net assets, end of year	<u><u>\$ 90,951</u></u>

See notes to financial statements.

DURANT COMMUNITY SCHOOL DISTRICT  
Statement of Cash Flows  
Proprietary Fund  
For the Year Ended June 30, 2010

Exhibit I

	Nonmajor School <u>Nutrition</u>
Cash flows from operating activities	
Cash received from sale of services	\$ 235,493
Cash payments to employees for services	(158,103)
Cash payments to suppliers for goods and services	<u>(159,207)</u>
Net cash used in operating activities	<u>(81,817)</u>
Cash flows from non-capital financing activities	
State grants received	3,091
Federal grants received	<u>94,638</u>
Net cash provided by non-capital financing activities	<u>97,729</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities	
Interest on investments	<u>326</u>
Net increase in cash and cash equivalents	16,238
Cash and cash equivalents, beginning of year	<u>50,880</u>
Cash and cash equivalents, end of year	<u><u>\$ 67,118</u></u>

**Reconciliation of operating loss to net cash  
used in operating activities**

Operating loss	\$(103,270)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	2,651
Commodities used	19,883
Decrease in accounts receivable	339
(Increase) in inventory	(1,119)
Increase in accounts payable	30
(Decrease) in accrued salaries and benefits	<u>(331)</u>
Net cash used in operating activities	<u><u>\$ (81,817)</u></u>

**Non-cash investing, capital and financing activities**

During the year ended June 30, 2010 the District received \$19,883 of federal commodities.

See notes to financial statements.

DURANT COMMUNITY SCHOOL DISTRICT  
Statement of Fiduciary Net Assets  
Fiduciary Fund  
June 30, 2010

Exhibit J

	Private Purpose <u>Trust</u> <u>Scholarships</u>
<b>Assets</b>	
Cash and pooled investments	\$ 13,710
<b>Liabilities</b>	<u>-</u>
<b>Net assets</b>	
Reserved for scholarships	<u><u>\$ 13,710</u></u>

See notes to financial statements.

DURANT COMMUNITY SCHOOL DISTRICT  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Fund  
For the Year Ended June 30, 2010

Exhibit K

	Private Purpose Trust <u>Scholarships</u>
Additions	
Local sources	
Interest	\$    53
Deductions	<u>-</u>
Change in net assets	53
Net assets, beginning of year	<u>13,657</u>
Net assets, end of year	<u><u>\$13,710</u></u>

See notes to financial statements.

DURANT COMMUNITY SCHOOL DISTRICT  
Notes to Financial Statements  
June 30, 2010

**Note 1. Summary of Significant Accounting Policies**

The Durant Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the communities of Durant, Stockton, Sunbury and Pleasant Prairie, Iowa, and the agricultural territory in Cedar, Muscatine and Scott Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, Durant Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. The Durant Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

**B. Basis of Presentation**

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The District reports no major proprietary funds. However, the District reports one nonmajor proprietary fund, the enterprise, School Nutrition Fund, which is used to account for the food service operations of the District.

The District also reports a fiduciary fund which focuses on net assets and changes in net assets. The District's fiduciary fund consists of the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

### C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues



are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, termination benefits and claims and judgments are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges to customers for sales and services. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value, except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current year and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2009.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 5,000
Buildings	\$ 5,000
Improvements other than buildings	\$ 5,000
Intangibles	\$25,000
Furniture and equipment:	
School Nutrition Fund equipment	\$ . 500
Other furniture and equipment	\$ 5,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

<u>Asset Class</u>	<u>Useful Life</u>
Buildings and improvements	20-50 years
Improvements other than buildings	20 years
Intangibles	5-10 years
Furniture and equipment	4-15 years

Salaries and Benefits Payable – Payroll and related expenditures for hourly employees' hours worked in June, not paid until July, have been accrued as liabilities.

Termination Benefits - District employees meeting certain requirements are eligible for early retirement benefits. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The early retirement liability has been computed based on rates of pay in effect at June 30, 2010. The early retirement liability attributable to the governmental activities will be paid primarily from the Management Fund.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent federal grant proceeds as well as property tax and income surtax receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balance - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Net Assets - Invested in capital assets, net of related debt consists of capital assets net of accumulated depreciation and reduced by the outstanding balance of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets consist of net assets with constraints placed on the use either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The government-wide statement of net assets reports \$329,177 of restricted net assets which is restricted by enabling legislation.

#### E. Budgeting and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

### **Note 2. Cash and Pooled Investments**

The District's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2010, the District had investments in the Iowa Schools Joint Investment Trust Diversified Portfolio which are valued at an amortized cost of \$17,830 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

### Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Non-major governmental	Non-major governmental fund	
Debt service	Capital projects	\$ 40,832
Non-major governmental	Non-major special revenue fund	
Debt service	Physical plant and equipment levy	155,441
	Non-major special revenue fund	
General	Management levy	6,111
	Non-major governmental fund	
General	Debt service	<u>16,404</u>
		<u>\$ 218,788</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources. The transfers from the Capital Projects Fund and the Physical Plant and Equipment Levy Fund to the Debt Service Fund were for payments of principal and interest on the District's debt. The transfers from the Management Levy to the General Fund were to correct coding of termination benefits payments. The transfers from the Debt Service Fund to the General Fund were to correct coding of income surtax revenues.

### Note 4. Categorical Funding

The District's reserved fund balance for categorical funding at June 30, 2010 is comprised of the following programs:

<u>Program</u>	
Gifted and Talented	\$ 17,425
Returning dropout and dropout prevention program	37,386
Beginning teacher mentoring and induction program	497
Teacher salary supplement	3,054
Educator quality, professional development for model core curriculum	20,646
Educator quality, professional development	15,336
Educator quality, market factor incentives	<u>3,642</u>
	<u>\$ 97,986</u>

## Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2010 was as follows:

	Balance, Beginning of Year	Additions	Deletions	Balance, End of Year
<u>Governmental activities</u>				
Capital assets not being depreciated:				
Land	\$ 135,364	\$ -	\$ -	\$ 135,364
Capital assets being depreciated:				
Buildings and improvements	7,983,199	41,819	-	8,025,018
Improvements other than buildings	665,065	-	-	665,065
Furniture and equipment	<u>1,223,005</u>	<u>92,933</u>	<u>(40,900)</u>	<u>1,275,038</u>
Total capital assets being depreciated	<u>9,871,269</u>	<u>134,752</u>	<u>(40,900)</u>	<u>9,965,121</u>
Less accumulated depreciation for:				
Buildings and improvements	3,598,316	169,467	-	3,767,783
Improvements other than buildings	257,715	24,904	-	282,619
Furniture and equipment	<u>774,211</u>	<u>70,275</u>	<u>(40,900)</u>	<u>803,586</u>
Total accumulated depreciation	<u>4,630,242</u>	<u>264,646</u>	<u>(40,900)</u>	<u>4,853,988</u>
Total capital assets being depreciated, net	<u>5,241,027</u>	<u>(129,894)</u>	<u>-</u>	<u>5,111,133</u>
Governmental activities capital assets, net	<u>\$ 5,376,391</u>	<u>\$(129,894)</u>	<u>\$ -</u>	<u>\$ 5,246,497</u>
<u>Business type activities</u>				
Furniture and equipment	\$ 37,419	\$ -	\$ -	\$ 37,419
Less accumulated depreciation	<u>24,425</u>	<u>2,651</u>	<u>-</u>	<u>27,076</u>
Business type activities capital assets, net	<u>\$ 12,994</u>	<u>\$ (2,651)</u>	<u>\$ -</u>	<u>\$ 10,343</u>

Depreciation expense was charged to the following functions:

**Governmental activities**

Instruction	
Regular	\$ 9,578
Special	1,248
Support services	
Student support	5,560
Administration	1,135
Operation and maintenance of plant	8,938
Transportation	<u>44,319</u>
	70,778
Unallocated	<u>193,868</u>
Total governmental activities depreciation expense	<u>\$ 264,646</u>

**Business type activities**

Food services	<u>\$ 2,651</u>
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**Note 6. Long-term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2010 are summarized as follows:

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
General obligation bonds	\$ 2,190,000	\$ -	\$(165,000)	\$ 2,025,000	\$ 170,000
Capital loan notes	74,152	-	(38,152)	36,000	24,393
Termination benefits	94,102	-	(86,951)	7,151	7,151
Net OPEB liability	<u>-</u>	<u>42,077</u>	<u>-</u>	<u>42,077</u>	<u>-</u>
Totals	<u>\$ 2,358,254</u>	<u>\$ 42,077</u>	<u>\$(290,103)</u>	<u>\$ 2,110,228</u>	<u>\$ 201,544</u>

Interest costs incurred and charged to expense on all long-term debt was \$107,883 for the year ended June 30, 2010.

Early Retirement Termination Benefits

In prior years, the District had offered a voluntary early retirement plan to its employees. Eligible employees must be between the ages fifty-five and sixty-five and have completed fifteen years of continuous service to the District. Employees must complete an application that is required to be approved by the Board of Education. The early retirement incentive for each eligible certified employee is \$12,000 cash benefit plus \$50 per day for unused sick leave days. The early retirement incentive for eligible classified personnel is a percentage of their salary plus \$20 per day

for unused sick leave, personal and vacation days. The liability for early retirement benefits as of June 30, 2010 was \$7,151 and one employee was receiving the benefit.

### General Obligation Bonds

Details of the District's June 30, 2010 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond issue of January 8, 2004			
	Interest Rates	Principal	Interest	Total
2011	3.50%	\$ 170,000	\$ 80,512	\$ 250,512
2012	3.75%	175,000	74,563	249,563
2013	4.00%	180,000	68,000	248,000
2014	4.00%	190,000	60,800	250,800
2015	3.80%	200,000	53,200	253,200
2016-2020	3.9-4.3%	<u>1,110,000</u>	<u>142,710</u>	<u>1,252,710</u>
Totals		<u>\$ 2,025,000</u>	<u>\$ 479,785</u>	<u>\$ 2,504,785</u>

### Bank Loans

The District entered into a loan agreement with Liberty Trust and Savings Bank on August 20, 2008 for the purchase of computers. The loan was for \$41,580 and bears interest at 4.5%. Quarterly payments of \$3,704.34, including interest, are required beginning October 8, 2008. One January 3, 2007, the District entered into a loan with Liberty Trust and Savings Bank to provide funds to purchase copiers, which bears interest at 5%. Payments of \$2,715.08, including interest, are due quarterly beginning April 8, 2007. All these loans are payable from the Capital Projects Fund. Details of the District's indebtedness under these loans are as follows:

Year Ending June 30,	Computer Loan Dated 8-20-08				Copier Loan Dated 1-3-07			
	Interest Rates	Principal	Interest	Total	Interest Rates	Principal	Interest	Total
2011	4.50	\$ 14,249	\$ 568	\$ 14,817	5.00	\$ 10,144	\$ 717	\$ 10,861
2012	4.50	<u>3,663</u>	<u>41</u>	<u>3,704</u>	5.00	<u>7,944</u>	<u>200</u>	<u>8,144</u>
Totals		<u>\$ 17,912</u>	<u>\$ 609</u>	<u>\$ 18,521</u>		<u>\$ 18,088</u>	<u>\$ 917</u>	<u>\$ 19,005</u>
Totals								
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>				
2011		\$ 24,393	\$ 1,285	\$ 25,678				
2012		<u>11,607</u>	<u>241</u>	<u>11,848</u>				
		<u>\$ 36,000</u>	<u>\$ 1,526</u>	<u>\$ 37,526</u>				



## Refunded General Obligation Bonds

In a prior fiscal year, the District entered into an escrow agreement whereby the proceeds from general obligation refunding bonds were converted into U.S. Securities. These securities and additional cash were placed in an escrow account for the express purpose of paying the principal and interest on the refunded general obligation bonds as they become due. After the principal and interest on all of the outstanding bonds have been paid, the remaining funds in the escrow account, together with any interest thereon, shall be returned to the District. The transactions, balance and liabilities of the escrow account are not recorded by the District. The amount of the refunded general obligation bonds that was considered extinguished and, therefore, excluded from long-term debt was \$2,200,000 at June 30, 2010.

## **Note 7. Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, IA, 50306-9117.

Plan members were required to contribute 4.30%, 4.10 % and 3.90% of their annual covered salary and the District was required to contribute 6.65%, 6.35% and 6.05% of annual covered payroll for the years ended June 30, 2010, 2009 and 2008 respectively. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$253,260, \$236,378 and \$222,531, respectively, equal to the required contributions for each year.

## **Note 8. Other Postemployment Benefits (OPEB)**

Plan Description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 80 active, of which 2 were excluded from the valuation because they are older than age 65, and 6 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy – The contribution requirements of the plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially

determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 51,537
Interest on net OPEB obligation	-
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost	51,537
Contributions made	<u>(9,460)</u>
Increase in net OPEB obligation	42,077
Net OPEB obligation beginning of year	<u>-</u>
Net OPEB obligation end of year	<u>\$ 42,077</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the District contributed \$9,460 to the medical plan. Plan members eligible for benefits contributed nothing to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

<u>Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
06/30/10	\$ 51,537	18.4%	\$ 42,077

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$273,378, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$273,378. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3.9 million and the ratio of UAAL to covered payroll was 6.9%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and

the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

## **Note 9. Risk Management**

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

## **Note 10. Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media, and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$224,013 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

## **Note 11. Contingencies**

Grant Funding - The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2010, significant amounts of grant expenditures have not been audited by granting authorities but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

## **Note 12. New Governmental Accounting Standards Board (GASB) Statements**

The District implemented the following statements during the year ended June 30, 2010:

- GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes standards for the measurement, recognition and display of other postemployment benefits expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports. The effect of the adoption of this Statement to the District was to record a liability of \$42,077 for the net other postemployment benefit obligation. The actuarial accrued liability is estimated by an actuary to be \$273,378.
- GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This Statement provides guidance regarding how to identify, account for, and report intangible assets. The new standard characterizes an intangible asset as an asset that lacks physical substance, is nonfinancial in nature, and has an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, computer software, water rights, timber rights, patents and trademarks. This standard provides that intangible assets be classified as capital assets (except for those explicitly excluded from the scope of the new standard, such as capital leases). Relevant authoritative guidance for capital assets should be applied to these intangible assets. This Statement had no effect to the District since the District had no intangible assets to be reported as of June 30, 2010.
- GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This Statement will improve how state and local governments report information about derivative instruments in their financial statements. The Statement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The guidance in the Statement also addresses hedge accounting requirements. This Statement had no effect to the District. Furthermore, Iowa Code Chapter 128.10 does not authorize districts to invest in derivative instruments.

- GASB Statement No. 58 *Accounting and Financial Reporting for Chapter 9 Bankruptcies*. This Statement provides guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. It establishes requirements for recognizing and measuring the effects of the bankruptcy process on assets and liabilities, and for classifying changes in those items and related costs. The adoption of this statement had no effect to the District.

As of June 30, 2010, the GASB had issued several Statements not yet implemented by the District. The Statements which might impact the District are as follows:

- GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. Issued March 2009, will be effective for the District beginning with its year ending June 30, 2011. This Statement is intended to improve the usefulness of information provided to financial report users about fund balances by providing clearer, more structured fund balance clarifications, and by clarifying the definitions of existing governmental fund types. Fund balance information is among the most widely and frequently used information in state and local government financial reports. The GASB developed this standard to address the diversity of practice and the resulting lack of consistency that had evolved in fund balance reporting. To reduce confusion, the new standard establishes a hierarchy of fund balance classification based primarily on the extent to which government is bound to observe spending constraints.
- GASB Statement No. 57 OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, an amendment of GASB Statement No. 43 and No. 45, issued January 2010, will be effective for the District beginning with its year ending June 30, 2012. This Statement addresses issues related to measurement of OPEB obligations by certain employers participating in agent multiple-employer OPEB plans.
- GASB Statement No. 59, Financial Instruments Omnibus, issued June 2010, will be effective for the District beginning with its year ending June 30, 2011. This Statement is intended to update and improve existing standards regarding financial reporting of certain financial instruments and external investments pools. Specifically, this Statement provides financial reporting guidance by emphasizing the applicability of SEC requirements to certain external investments pool, addressing the applicability of GASB 53, Accounting and Financial Reporting for Derivative Instruments, and applying the reporting provisions for interest-earning investment contracts of GASB 31, Accounting and Financial Reporting for Certain Investments and for External Investments Pools.

The District's management has not yet determined the effect these Statements will have on the District's financial statements.

**Note 13. Pending Litigation**

At June 30, 2010, the District was involved in a case of pending litigation. It is difficult to estimate the outcome of the litigation and the potential damages, if any, involved. Therefore, no liability for potential payments has been recorded.

## Required Supplementary Information

DURANT COMMUNITY SCHOOL DISTRICT  
 Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual  
 All Governmental Funds and Proprietary Fund  
 Required Supplementary Information  
 For the Year Ended June 30, 2010

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts Original	Final	Final to Actual Variance
<b>Revenues</b>						
Local sources	\$ 4,241,880	\$ 235,480	\$ 4,477,360	\$ 4,057,469	\$ 4,057,469	\$ 419,891
Intermediate sources	15,230	-	15,230	24,600	24,600	(9,370)
State sources	2,348,127	3,091	2,351,218	3,813,514	3,813,514	(1,462,296)
Federal sources	317,707	114,521	432,228	184,571	184,571	247,657
Total revenues	<u>6,922,944</u>	<u>353,092</u>	<u>7,276,036</u>	<u>8,080,154</u>	<u>8,080,154</u>	<u>(804,118)</u>
<b>Expenditures/Expenses</b>						
Instruction	4,275,960	-	4,275,960	4,407,636	4,427,636	151,676
Support services	1,988,331	-	1,988,331	2,180,306	2,180,306	191,975
Non-instructional programs	1,868	338,424	340,292	364,809	364,809	24,517
Other expenditures	596,161	-	596,161	665,530	665,530	69,369
Total expenditures/expenses	<u>6,862,320</u>	<u>338,424</u>	<u>7,200,744</u>	<u>7,618,281</u>	<u>7,638,281</u>	<u>437,537</u>
Net change in fund balance	60,624	14,668	75,292	461,873	441,873	(366,581)
Balance, beginning of year	2,192,721	76,283	2,269,004	1,727,933	1,727,933	541,071
Balance, end of year	<u>\$ 2,253,345</u>	<u>\$ 90,951</u>	<u>\$ 2,344,296</u>	<u>\$ 2,189,806</u>	<u>\$ 2,169,806</u>	<u>\$ 174,490</u>

See accompanying Independent Auditor's Report.



DURANT COMMUNITY SCHOOL DISTRICT  
Notes to Required Supplementary Information – Budgetary Reporting  
For the Year Ended June 30, 2010

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$20,000.

DURANT COMMUNITY SCHOOL DISTRICT  
Schedule of Funding Progress for the  
Retiree Health Plan  
Required Supplementary Information

<u>Year Ended June 30,</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
2010	July 1, 2009	\$ -	\$273,378	\$273,378	\$ -	\$3,950,415	6.9%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

## Other Supplementary Information

DURANT COMMUNITY SCHOOL DISTRICT  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2010

Schedule 1

	Special Revenue					
	Student	Management	Physical Plant and Equipment	Capital	Debt	
	<u>Activity</u>	<u>Levy</u>	<u>Levy</u>	<u>Projects</u>	<u>Service</u>	<u>Total</u>
<b>Assets</b>						
Cash and pooled investments	\$75,384	\$187,745	\$238,051	\$342,013	\$63,626	\$906,819
Receivables						
Property tax						
Delinquent	-	2,060	680	-	1,052	3,792
Succeeding year	-	133,204	85,277	-	120,973	339,454
Accounts receivable	-	600	-	839	-	1,439
Income surtax	-	-	105,254	-	-	105,254
Due from other governments	-	-	-	141,031	-	141,031
Total assets	<u>\$75,384</u>	<u>\$323,609</u>	<u>\$429,262</u>	<u>\$483,883</u>	<u>\$185,651</u>	<u>\$1,497,789</u>
<b>Liabilities and Fund Balances</b>						
Liabilities						
Accounts payable	\$7,305	\$92,808	\$-	\$32,016	\$-	\$132,129
Deferred revenue						
Succeeding year property tax	-	133,204	85,277	-	120,973	339,454
Income surtax	-	-	105,254	-	-	105,254
Total liabilities	<u>7,305</u>	<u>226,012</u>	<u>190,531</u>	<u>32,016</u>	<u>120,973</u>	<u>576,837</u>
Fund balances						
Reserved for debt service	-	-	-	-	64,678	64,678
Unreserved fund balances	68,079	97,597	238,731	451,867	-	856,274
Total fund balances	<u>68,079</u>	<u>97,597</u>	<u>238,731</u>	<u>451,867</u>	<u>64,678</u>	<u>920,952</u>
Total liabilities and fund balances	<u>\$75,384</u>	<u>\$323,609</u>	<u>\$429,262</u>	<u>\$483,883</u>	<u>\$185,651</u>	<u>\$1,497,789</u>

See accompanying Independent Auditor's Report.

DURANT COMMUNITY SCHOOL DISTRICT  
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2010

Schedule 2

	Special Revenue					
	Student	Management	Physical Plant and Equipment	Capital	Debt	
Revenues	<u>Activity</u>	<u>Levy</u>	<u>Levy</u>	<u>Projects</u>	<u>Service</u>	<u>Total</u>
Local sources						
Local taxes	\$ -	\$220,225	\$216,611	\$358,011	\$124,946	\$ 919,793
Other	255,916	11,925	2,786	67,455	-	338,082
State sources	-	107	35	-	54	196
Federal sources	-	-	-	-	-	-
Total revenues	<u>255,916</u>	<u>232,257</u>	<u>219,432</u>	<u>425,466</u>	<u>125,000</u>	<u>1,258,071</u>
Expenditures						
Current						
Instruction						
Regular	-	100,834	4,170	-	-	105,004
Other	<u>255,977</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>255,977</u>
Total instruction	<u>255,977</u>	<u>100,834</u>	<u>4,170</u>	<u>-</u>	<u>-</u>	<u>360,981</u>
Support services						
Instructional staff	-	-	884	-	-	884
Administration	-	19,347	-	-	-	19,347
Operation and maintenance of pla	-	31,490	7,277	-	-	38,767
Transportation	-	20,314	71,844	-	-	92,158
Total support services	<u>-</u>	<u>71,151</u>	<u>80,005</u>	<u>-</u>	<u>-</u>	<u>151,156</u>
Non-instructional programs	<u>-</u>	<u>1,868</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,868</u>
Other expenditures						
Facilities acquisition	-	-	11,183	69,271	-	80,454
Long-term debt						
Principal	-	-	-	-	203,151	203,151
Interest and fiscal charges	-	-	-	-	88,543	88,543
Total other expenditures	<u>-</u>	<u>-</u>	<u>11,183</u>	<u>69,271</u>	<u>291,694</u>	<u>372,148</u>
Total expenditures	<u>255,977</u>	<u>173,853</u>	<u>95,358</u>	<u>69,271</u>	<u>291,694</u>	<u>886,153</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(61)</u>	<u>58,404</u>	<u>124,074</u>	<u>356,195</u>	<u>(166,694)</u>	<u>371,918</u>
Other financing sources (uses)						
Interfund operating transfers in	-	-	-	-	196,273	196,273
Interfund operating transfers (out)	-	(6,111)	(155,441)	(40,832)	(16,404)	(218,788)
Total other financing sources (uses)	<u>-</u>	<u>(6,111)</u>	<u>(155,441)</u>	<u>(40,832)</u>	<u>179,869</u>	<u>(22,515)</u>
Net change in fund balances	(61)	52,293	(31,367)	315,363	13,175	349,403
Fund balances, beginning of year	68,140	45,304	270,098	136,504	51,503	571,549
Fund balances, end of year	<u>\$ 68,079</u>	<u>\$ 97,597</u>	<u>\$238,731</u>	<u>\$451,867</u>	<u>\$ 64,678</u>	<u>\$ 920,952</u>

See accompanying Independent Auditor's Report.

DURANT COMMUNITY SCHOOL DISTRICT  
Schedule of Changes in Special Revenue Fund, Student Activity Accounts  
For the Year Ended June 30, 2010

Schedule 3

Account	Balance, Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance, End of Year
Athletics	\$ 24,849	\$ 100,513	\$ 98,363	\$ 98	\$ 27,097
Athletic equipment	8,310	-	5,935	71	2,446
Band	2,038	29,588	30,307	167	1,486
Baseball camp	297	1,956	2,597	1	(343)
Boys basketball camp	4,711	7,252	8,426	55	3,592
Class of:					
2008	820	-	-	(30)	790
2009	(30)	-	-	30	-
2010	300	431	612	6	125
2011	778	5,291	5,343	7	733
2012	540	15	-	4	559
2013	-	-	-	1,685	1,685
Close Up	1,162	-	-	10	1,172
Drama	1,694	4,610	4,006	18	2,316
8th grade class trip	1,598	44,434	44,425	(1,598)	9
Football camp	4,114	11,616	10,582	28	5,176
High school cheerleading	690	5,458	5,452	10	706
High school dance	1,590	1,710	1,580	160	1,880
Student council	3,013	2,376	1,956	(122)	3,311
Interest	918	369	2	(802)	483
Jr high cheerleaders	102	-	-	-	102
Jr high student council	1,041	700	1,048	8	701
K-8 memory book	3,646	-	-	31	3,677
Kitten camp	660	1,010	1,403	6	273
Library book club	34	4,246	785	-	3,495
NFL	538	163	218	5	488
National Honor Society	310	456	575	4	195
Outside classroom	197	-	-	2	199
Physical fitness	157	-	-	1	158
Playground	179	-	54	2	127
Resale	(3,351)	14,547	11,299	5	(98)
S.A.D.D.	265	-	-	2	267
Softball camp	2,744	2,057	3,416	14	1,399
Spanish	278	4,083	3,868	2	495
TSA	182	-	-	2	184
Vocal	2,131	2,799	1,763	(133)	3,034
Volleyball	1,350	2,619	2,624	221	1,566
Wrestling cheerleading	46	-	-	-	46
Yearbook	239	7,617	9,338	30	(1,452)
Totals	<u>\$ 68,140</u>	<u>\$ 255,916</u>	<u>\$ 255,977</u>	<u>\$ -</u>	<u>\$ 68,079</u>

See accompanying Independent Auditor's Report.

DURANT COMMUNITY SCHOOL DISTRICT  
Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds  
For the Last Seven Years

Schedule 4

	Modified Accrual Basis						
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Revenues							
Local sources							
Local tax	\$ 2,852,282	\$ 2,677,179	\$2,581,583	\$ 2,464,973	\$ 2,408,595	\$ 2,300,293	\$2,151,453
Tuition	956,690	1,067,798	863,874	918,904	896,137	569,356	475,576
Other	432,908	437,409	363,034	335,240	243,570	332,135	231,260
Intermediate sources	15,230	56,771	75,036	27,303	13,821	3,252	-
State sources	2,348,127	2,986,998	2,844,075	2,618,463	2,438,037	2,402,092	2,262,339
Federal sources	317,707	131,097	101,138	105,755	104,104	124,557	120,666
Total revenues	<u>\$ 6,922,944</u>	<u>\$ 7,357,252</u>	<u>\$6,828,740</u>	<u>\$ 6,470,638</u>	<u>\$ 6,104,264</u>	<u>\$ 5,731,685</u>	<u>\$5,241,294</u>
Expenditures							
Current							
Instruction							
Regular	\$ 3,053,927	\$ 2,728,113	\$2,626,712	\$ 2,601,773	\$ 2,393,845	\$ 2,141,919	\$2,198,942
Special	287,899	592,423	631,523	548,432	562,493	562,300	661,354
Other	934,134	860,888	705,939	564,489	475,139	507,459	351,445
Support services							
Student	159,907	193,512	205,167	198,309	213,241	209,740	320,468
Instructional staff	238,188	276,118	224,881	250,670	158,671	178,084	82,419
Administration	697,986	684,815	641,250	637,153	536,276	483,196	474,882
Operation and maintenance of plant	609,180	615,445	592,145	562,029	535,154	466,938	422,288
Transportation	283,070	198,991	254,109	295,141	239,974	285,428	314,280
Other support services	-	-	-	-	-	1,500	1,550
Non-instructional programs	1,868	8,358	3,369	726	516	1,949	1,750
Other expenditures							
Facilities acquisition	80,454	727,767	289,242	578,024	226,228	221,101	55,345
Long-term debt							
Principal	203,151	207,888	190,999	171,293	150,000	156,964	151,343
Interest and other charges	88,543	95,130	100,482	102,314	105,987	111,545	144,382
AEA flowthrough	224,013	209,609	200,054	188,841	173,062	171,250	170,109
Total expenditures	<u>\$ 6,862,320</u>	<u>\$ 7,399,057</u>	<u>\$6,665,872</u>	<u>\$ 6,699,194</u>	<u>\$ 5,770,586</u>	<u>\$ 5,499,373</u>	<u>\$5,350,557</u>

See accompanying Independent Auditor's Report.

# KAY L. CHAPMAN, CPA PC

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## Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education  
Durant Community School District

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Durant Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated February 10, 2011. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing my audit, I considered Durant Community School District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of Durant Community School District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Durant Community School District's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, I identified certain deficiencies in internal control over financial reporting I consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiencies in internal



control described in Part I of the accompanying Schedule of Findings as items A and B to be material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Durant Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Durant Community School District's responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on the District's responses, I did not audit Durant Community School District's responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Durant Community School District and other parties to whom Durant Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by the personnel of the Durant Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

*Kay L. Chapman, CPA PC*

Kay L. Chapman, CPA PC  
February 10, 2011

DURANT COMMUNITY SCHOOL DISTRICT  
Schedule of Findings  
For the Year Ended June 30, 2010

**Part I. Findings Related to the Financial Statements**

INSTANCES OF NON-COMPLIANCE

No matters were noted.

INTERNAL CONTROL DEFICIENCIES

- A. Segregation of Duties - The limited number of accounting personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities. I noted that the same individual performs the following duties: recording and processing cash receipts, preparing checks and bank reconciliations, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although I noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

Recommendation - I realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the District to obtain the maximum internal control possible under the circumstances.

Response - We will review our procedures and implement changes to improve internal control, as we deem necessary.

Conclusion - Response accepted.

- B. Material Misstatement not Detected - During the course of my audit, I discovered material misstatements on the District's Certified Annual Report (CAR) that were not detected by the District's internal controls. The District did not accrue the final receipt for statewide sales, services and use tax revenues. Therefore, the District's receivables and fund balance in the Capital Projects Fund were understated by \$114,023 on the CAR. These misstatements will result in a correction to the beginning balances of the Capital Projects Fund on next year's CAR.

Recommendation - An effective system of internal control should detect material misstatements in the District's financial records and financial reporting. The District should review their control procedures and make appropriate changes to improve their internal controls to help eliminate this deficiency.

DURANT COMMUNITY SCHOOL DISTRICT  
Schedule of Findings  
For the Year Ended June 30, 2010

Response - We feel that our business manager has the knowledge needed to adequately perform her duties. The superintendent reviews some, but not all of the work performed and reports prepared by the business manager. We would like to hire additional office

personnel to help with the business manager's workload and to provide more oversight and cross-checking of her work. However, with a limited budget, it is difficult to hire enough adequately-trained office personnel to review each other's work. We will review our procedures and consider making changes we deem necessary.

Conclusion - Response accepted.

**Part II. Other Findings Related to Statutory Reporting:**

1. Certified Budget - Expenditures for the year ended June 30, 2010 did not exceed the amended amounts budgeted.
2. Questionable Expenditures - I noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
3. Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
4. Business Transactions - No business transactions between the District and District officials or employees were noted.
5. Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
6. Board Minutes - I noted no transactions requiring Board approval which had not been approved by the Board.
7. Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
8. Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
9. Deposits and Investments - I noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

DURANT COMMUNITY SCHOOL DISTRICT

Schedule of Findings

For the Year Ended June 30, 2010

10. Certified Annual Reports - The Certified Annual Report was filed with the Department of Education timely; however, the amounts reported for receivables and fund balance for the Capital Projects Fund was understated, as described in comment B above.

Recommendation - The District should correct the beginning fund balance for the Capital Projects Fund on the CAR for the year ending June 30, 2011 and insure that the amounts reported on future CARs are correct.

Response - We will correct the beginning balance for the Capital Projects Fund on our CAR for the year ending June 30, 2011 and review the amounts reported on future CARs more closely to insure that they are correct.

Conclusion - Response accepted.

11. Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

12. Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales, services and use tax revenue are as follows:

Beginning balance		\$ 136,504
Revenues		
Statewide sales, services and use tax	\$ 358,011	
Interest earned	1,695	
Donations	1,000	
Miscellaneous	<u>64,760</u>	425,466
Expenditures/transfers out		
School infrastructure		
Building and site improvements	\$ (69,271)	
Debt service for school infrastructure		
Capital loan notes	<u>(40,832)</u>	<u>(110,103)</u>
Ending balance		<u>\$ 451,867</u>

DURANT COMMUNITY SCHOOL DISTRICT  
Schedule of Findings  
For the Year Ended June 30, 2010

The statewide sales, services and use tax revenue received during the year ended June 30, 2010 is equivalent to a reduction in the following levies:

	Per \$1,000 of Taxable <u>Valuation</u>	Property Tax <u>Dollars</u>
Debt service levy	\$ 0.21922	\$ 40,832
Physical plant and equipment levy	\$ 1.70292	<u>317,179</u>
		<u>\$ 358,011</u>

DURANT COMMUNITY SCHOOL DISTRICT  
Audit Staff  
June 30, 2010

This audit was performed by

Kay Chapman, CPA  
Tammy Calvert, staff accountant